

**Internal Revenue Service**

Department of the Treasury  
Washington, DC 20224

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Date of Communication: Not Applicable

Person To Contact:  
, ID No.

Telephone Number:

Refer Reply To:  
CC:ITA:B05  
PLR-111483-16

Date:  
October 07, 2016

Legend

Year 1 =

\$x =

Z =

Dear :

This replies to your request for a ruling that the \$x you received pursuant to Z in Year 1 is excluded from your gross income under § 104(a)(2) of the Internal Revenue Code.

FACTS

Before Year 1, you suffered personal physical injuries within the meaning of § 104(a)(2). In Year 1, you received the \$x pursuant to Z to compensate you for actual damages sustained as a consequence of the violation of criminal law that resulted in personal physical injuries.

LAW AND ANALYSIS

Section 61 provides that gross income includes all income from whatever source derived, except as otherwise excluded in subtitle A.

Section 104(a)(2) provides that gross income does not include the amount of any damages received (whether by suit or agreement) on account of personal physical injuries or physical sickness, except for amounts attributable to (and not in excess of) deductions allowed under § 213 (relating to medical, etc., expenses) for any prior taxable year.

Section 1.104-1(c)(1) of the Income Tax Regulations provides that damages for emotional distress attributable to a physical injury or physical sickness are excluded from gross income under § 104(a)(2). For purposes of § 1.104-1(c), the term damages means an amount received (other than workers' compensation) through prosecution of a legal suit or action, or through a settlement agreement entered into in lieu of prosecution.

Under § 1.104-1(c)(1), the \$x that you received pursuant to Z in Year 1 is to compensate you for actual damages that are attributable to the personal physical injuries you suffered before Year 1. Thus, the \$x that you received in Year 1 pursuant to Z was received on account of personal physical injuries within the meaning of § 104(a)(2).

## CONCLUSION

Based strictly on the information submitted and the representations made, we conclude that the \$x you received in Year 1 pursuant to Z is excluded from your gross income under § 104(a)(2), except for amounts that reimbursed you for medical expenses that you incurred and deducted before Year 1.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

Sincerely,

Shareen S. Pflanz  
Senior Technician Reviewer, Branch 5  
Office of Associate Chief Counsel  
(Income Tax & Accounting)